

SECOND AMENDMENT TO REGULATORY AGREEMENT

By and Between

**COUNTY OF SAN BERNARDINO,
as Issuer**

and

**PARK HEIGHTS RESIDENTIAL PARTNERS, L.P.,
A DELAWARE LIMITED PARTNERSHIP,
the Owner**

Dated as of July __, 2003

Relating to

**\$5,520,000
County of San Bernardino, California
Multifamily Housing Revenue Refunding Bonds
1998 Series A
(Nova Park Heights Apartments)
[Redeemed]**

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SECOND AMENDMENT TO REGULATORY AGREEMENT

THIS SECOND AMENDMENT TO REGULATORY AGREEMENT dated as of July __, 2003 (this "Amendment"), amending that certain Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants (the "Original Regulatory Agreement"), dated as of April 1, 1990 (recorded in the Official Records of the County of San Bernardino, California, as Document No. 90-148037), as amended by the Amendment To Regulatory Agreement and Declaration of Restrictive Covenants (the "First Amendment," together with the "Original Regulatory Agreement" and this Amendment, the "Regulatory Agreement"), dated as of September 1, 1998 (recorded in the Official Records of the County of San Bernardino, California, as part of Document No. 02-0612739), by and between the COUNTY OF SAN BERNARDINO (the "Issuer") and PARK HEIGHTS RESIDENTIAL PARTNERS, L.P., A DELAWARE LIMITED PARTNERSHIP (the "Owner")

W I T N E S S E T H :

WHEREAS, the Issuer previously issued its \$5,520,000 Multifamily Housing Revenue Refunding Bonds 1998 Series A (Nova Park Heights Apartments) (the "Bonds"), pursuant to a certain Trust Indenture, dated as of September 1, 1998 (the "Indenture"), by and between the Issuer, Chase Bank of Texas, National Association (the "Trustee"), and the Issuer loaned the proceeds of the Bonds to Steadfast Park Heights, L.P., a California limited partnership ("Steadfast") pursuant to a Loan Agreement dated as of September 1, 1998, (the "Loan Agreement"); and

WHEREAS, in connection with the issuance of the Bonds, the Issuer and the prior owners entered into the Regulatory Agreement; and

WHEREAS, when the Bonds were issued, credit enhancement was provided by various credit providers (the "Prior Credit Providers");

WHEREAS, pursuant to the terms of an Assignment, Assumption and Consent Agreement (the "Prior Assumption Agreement"), dated as of November 12, 2002, Capital Foresight-Inland Empire, a California limited partnership (the "Prior Owner") assumed the duties and obligations of the Steadfast under the terms of the Regulatory Agreement;

WHEREAS, in conjunction with the execution of the Prior Assumption Agreement, Steadfast caused the Bonds to be redeemed in whole and certain related documents to be extinguished, terminated and expired, including the Loan Agreement and the Indenture;

WHEREAS, pursuant to the terms of an Assignment, Assumption and Consent Agreement (the "Assumption Agreement"), dated as of July __, 2003, by and among the Prior Owner, the Owner and the Issuer, the Owner in conjunction with the purchase of the Project assumed the duties and obligations of the Prior Owner under the terms of the Regulatory Agreement;

WHEREAS, in connection with the adoption of the Assumption Agreement, the Owner's Lender (defined herein) has requested certain modifications to the Regulatory Agreement to clarify certain terms and conditions under the Regulatory Agreement in light of the change in the financing structure;

WHEREAS, Section 11 of the Original Regulatory Agreement provides that its terms may be amended by a written instrument executed by the parties thereto and certain other conditions set forth therein, each of which has been satisfied; and

WHEREAS, it is the intent of this Amendment to modify certain definitions, references and reporting requirements contained in the Regulatory Agreement, and, except as required by the Issuer and set forth herein, neither to increase the restrictions upon the Owner with respect to the definition of Affordable Rent or to increase the percentage of units which must be available to Low or Moderate Income Tenants, nor to diminish the rights of the Issuer.

NOW, THEREFORE, THIS AMENDMENT WITNESSETH: that the Issuer, the Trustee, and the Owner, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.01. Definition of Terms. Except as otherwise provided herein, any capitalized terms used in this Amendment and not otherwise defined shall have the same meanings as set forth in the Regulatory Agreement.

Section 1.02 Successor Entities. All references in the Regulatory Agreement to the Issuer, the Trustee and the Borrower shall be deemed to include the successor of each such respective entity, if any.

Section 1.03. Conflict of Terms. If there is any conflict between the terms of this Amendment and the terms of the Regulatory Agreement, the terms of this Amendment shall control. Except as expressly modified by this Amendment, however, the terms of the Regulatory Agreement shall remain in full force and effect to the extent practicable.

End of Article I

ARTICLE II

AMENDMENTS

Section 2.01. Amendments. Effective immediately upon the execution of this Amendment, the provisions of the Regulatory Agreement shall be amended, supplemented and modified as follows:

- (a) The following definitions are hereby added in Section 1 of the Regulatory Agreement:

“Lender/lender” means the lenders that provided funds to the Owner to purchase the Project.

- (b) The following definitions in Section 1 of the Regulatory Agreement are modified as follows:

"Administration Fee" means the annual fee paid to the Issuer by the Borrower as provided in footnote 3 of the Assumption Agreement.

"Bonds" means the County of San Bernardino Multifamily Housing Revenue Refunding Bonds, 1998 Series A (Nova Park Heights Apartments), which were redeemed on November 12, 2002.

“Credit Bank” means as the result of the redemption of the Bonds there is no longer any credit enhancement related to the Bonds; therefore this term shall hence reference the Owner’s lender/s that financed the purchase of the Project.

“Income Certification” means a Verification of Income and an Occupancy Certificate in the forms attached to the Assumption Agreement.

“Loan Agreement” means an agreement that has terminated under the terms of the financing program for the Project. Any references to forms or exhibits in the Loan Agreement shall be to the forms transferred to the Assumption Agreement.

“Verification of Income” means a verification of income in the form attached as Exhibit B to the Loan Agreement or in such other form as may be provided by the Issuer to the Owner.

- (c) The Regulatory Agreement shall be amended, supplemented and modified by the following:

- (i) Subsection (b) of Section 3 is amended in its entirety to read as follows:

The Borrower will pay the Administrative Fee as provided in the Assumption Agreement, as amended from time to time.

(ii) Section 4 is amended in its entirety to read as follows:

Section 4. Issuer's Option to Lease. To cause the Project to meet the requirements of this Agreement, if and to the extent necessary, in the opinion of Bond Counsel, to preserve the exclusion for gross income for Federal income tax purposes of interest on the Bonds or to comply with the requirements of the Act, the Owner hereby grants to the Issuer the option, for the Required Rental Period, to lease from time to time as many of the units in the Project (but not to exceed 20% of the completed dwelling units) as are not in compliance with the requirements necessary to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds or to comply with the requirements of the Act, for a rental of amounts which, in the aforementioned opinion of Bond Counsel are required in order to preserve the tax exemption of the Bonds and to comply with the Act, for the purpose of subleasing such units in accordance with the requirements of said subsections. After the Issuer has been reimbursed for any expenses incurred in connection with such sublease, any net rental paid under any such sublease shall be paid to the Owner; provided that, if the Owner is in default in its payment obligations to any purchase lender, as evidenced by notice given to the Issuer by the any purchase lender, such net rental shall be used to make payments due to the purchase lender.

(iii) Section 17 is amended in its entirety to read as follows:

Section 17. Notices. All notices, certificates or other communications shall be sufficiently given and shall be deemed given on the second day following the date on which the same have been mailed by certified mail, postage prepaid, addressed as follows:

To the Issuer: County of San Bernardino
Department Economic and Community Development
290 North "D" Street, 6th Floor
San Bernardino, California 92415-0040
Attention: Thomas R. Laurin, Director

To the Administrator: County of San Bernardino
Department Economic and Community Development
290 North "D" Street, 6th Floor
San Bernardino, California 92415-0040
Attention: Thomas R. Laurin, Director

To the Owner: Park Heights Residential Partners, L.P.,
a Delaware Limited Partnership
c/o Griffin Partners, LLC
11601 Wilshire Boulevard, Suite 2400
Los Angeles, CA 90025
Attention: Sol L. Rabin

To the Lender: Column Financial Inc.
11 Madison Avenue
New York, NY 10010
Attention: Park Heights Apartments, Highland, California
Fax: 212-255-8105

Copy to: Credit Suisse First Boston
Mortgage Capital LLC
Legal and Compliance Department
One Madison Avenue
New York, NY 10010
Attention: Pamela McCormack, Esq.
Fax: 212-325-8220
Re: Park Heights Apartments, Highland, California

The Issuer, the Administrator, and the Lender and the Owner may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

End of Article II

ARTICLE III

MISCELLANEOUS

3.01. Severability of Invalid Provisions If any one or more of the covenants or arguments provided in this Amendment on the part of the Issuer or the Borrower to be performed should be found by a court of competent jurisdiction to be contrary to law then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Amendment.

3.02. Counterparts This Amendment may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

3.04. Trustee's Approval Not Required The Bonds have been redeemed in full and the duties and obligations of the Trustee under the Indenture have been terminated. Therefore, the Trustee is not required to consent to the modification of the Regulatory Agreement.

End of Article III

This Amendment to Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed and sealed by their respective duly authorized representatives, as of the day and year first written above.

Attest:

COUNTY OF SAN BERNARDINO

Clerk of the Board

By _____
Thomas R. Laurin, Director
Department of Economic and Community Development

**[CONTINUATION OF SIGNATURES TO
SECOND AMENDMENT TO REGULATORY AGREEMENT]**

Owner:

PARK HEIGHTS RESIDENTIAL PARTNERS, L.P.,
a Delaware Limited Partnership

By: Griffin-Park Heights LLC,
a Delaware limited liability company

By: _____
Sol Rabin,
Manager

Park Heights Apartments

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 2003, before me, _____, a notary public in and for said state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacities, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

Park Heights Apartments

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 2003, before me, _____, a notary public in and for said state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacities, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public